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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 03/13/08

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ARTICLES:

- (1) Prime Minister Fukuda torn between emphasis on consumers and diplomacy toward China

Nanae Kurashige, Kenji Oyamada

Prime Minister Fukuda is facing a dilemma between a policy stance that places emphasis on consumers, an important challenge for his administration, and his policy toward China. In order to deal with the issue of poisonous frozen dumplings imported from China, Fukuda has taken preventive measures at home, for instance, by strengthening the inspection system. But when it comes to the important question of shedding light on the causes of the poisonous dumplings, Japan and China have yet to work in close cooperation to find out the causes because both sides' investigators have differing opinions. Japan's dependence on imported Chinese foods has also made the situation more complicated.

Poisonous dumplings issue affects bilateral ties

"I have asked Beijing at every opportunity to resolve this incident swiftly. The important thing is to work together to resolve it as quickly as possible," Fukuda said when he was asked by reporters on March 11.

Even at the end of February, when Chinese investigators announced that it was least likely that poisonous material was blended in dumplings in China, Fukuda showed an understanding toward China's stance, noting, "The Chinese officials are willing to shed light on the causes of the incident, as well as clear up who was responsible for it."

Fukuda, who wishes to place a priority on relations with China, has reiterated that the cooperative relationship with China remains the

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same. His aide explained Fukuda's real feelings in this way: "He thinks that he needs to manage this situation well so that it will not evolve into a diplomatic issue."

The poisonous dumplings came to light soon after Fukuda made it clear in his Diet policy speech in January that he would attach importance to consumers.

For this reason, the government was quick to address the incident. Fukuda visited the Yokohama Quarantine Station to inspect its operation, established a bureau director-level post of information officer in charge of food hazards, and strengthened inspections of imported frozen and processed food for residual pesticides.

However, no progress has been made on finding the cause of the incident. The government held a liaison meeting of relevant ministries and agencies on March 10 to deal with the problem, but what was reported there was that although the Japanese officials had asked their Chinese counterparts to come up with materials related to some 20 items, materials presented by the Chinese side in response to Japan's request were related to only three items. State Minister in Charge of People's Life Kishida told a news conference on March 11: "I hope the Chinese side will work together with us in investigating this."

With Chinese President Hu Jintato's planned visit to Japan likely to be put off from April to May, some in the government expressed concern that the incident has had an adverse effect on relations with China. A high-level government official noted anxiously: "Hu's visit to Japan must be welcomed by the public; otherwise, the bilateral summit would lose half of its value. That's why we need to resolve the incident by all means."

Fukuda is indeed caught between consumers and China as his excessive emphasis on consumer issues could have an adverse effect on overall Japan-China relations.

Stagnation in distribution of food products

Japan's food self-sufficiency ratio in fiscal 1965, when the ratio began to be calculated by the currently-used formula, was 73 PERCENT

, but since then the ratio has been on the decline. In fiscal 2006, the ratio fell to 39 PERCENT , the lowest level among the industrialized countries. Among the food exporters to Japan, the United States has been at the top but its share declined as China, the second largest food exporter to Japan, increased its share.

Japan imports vegetables and processed foods, including frozen foods, from China. Japanese imports of processed foods from China, in particular, expanded by more than 60 PERCENT from 2001, when it totaled 320.2 billion yen, to 519 billion yen in 2006. A Nissui executive noted: "China is an integral part of the Japanese frozen food business."

The Ministry of Health, Labor and Welfare (MHLW), which is tasked with inspections of imported foods at the border, did not examine residual pesticides contained in frozen foods, including dumplings using a number of ingredients. Soon after the revelation of the poisonous dumpling incident this time, MHLW began a spot inspection in Yokohama and Kobe, but the number of inspectors across the country totals only 334. Given this figure, it is impossible to examine all frozen foods imported from China, which arrive in Japan

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on the scale of 200,000 tons per year.

The prolonged investigation into the incident has begun affecting trade in food with China.

Imports of vegetables from China in February dropped 30 PERCENT from the same month the year before. A major food manufacturing company officer complained: "Since mid-February it has taken much time for customs procedures and inspections regarding frozen foods imported from Shandong Province, China."

Meanwhile, 50 tons of rice exported from Japan to China reportedly have been left in a warehouse at a Chinese port for more than a month. In response to inquiries by the Ministry of Agriculture, Forestry and Fisheries (MAFF) about this rice, Chinese officials said that the delay likely stems from the Lunar New Year celebrations in China. However, even now no progress has been made on the procedures for distributing the rice. Some in MAFF take the view that it might have been a retaliatory act by China to Japan's tough response taken after the poisonous dumpling incident.

If the distribution of foods becomes stagnant, it could affect the restaurant industry and the boxed meals industry for convenience stores, both of which use a number of Chinese food products. It could lead them to hike prices. Can Japan sketch out a food strategy toward China? The government is faced with a tough issue at present, but it has yet to come up with any effective measures.

(2) Government to propose holding first meeting of "Lake Toya process" for post-Kyoto protocol in fall in Japan

YOMIURI (Page 2) (Full)
March 13, 2008

In preparation for the Lake Toya Summit (G-8 Summit) in Hokkaido in July, a number of ministerial meetings will be held across the nation. As the first one, a climate change meeting of the world's 20 biggest greenhouse gas emitters (G-20 meeting) will start in Chiba on March 14. In the meeting, the Japanese government intends to propose holding this fall in Japan the first meeting of a "Lake Toya process" planned to be established for creating a new mechanism to combat global warming to replace the Kyoto Protocol, which expires in 2012.

The G-20 meeting on climate change, clean energy and sustainable development will bring together about 60 dignitaries, including environment ministers and energy ministers from 20 countries, including the Group of Eight (G-8) countries and such emerging countries as China and India. Former British Prime Minister Tony Blair is scheduled to deliver a speech there. It has been decided that the "Lake Toya process" will be established in the G-8 Summit in July.

In the about 10 ministerial meetings planned to be held around the nation prior to the G-8 Summit, Japan, as the host of the summit, will coordinate agenda items and listen to views from other countries' representatives. The relevant Japanese cabinet ministers will chair all the meetings. High on the agenda in the G-8 Summit will be (1) climate change; (2) the global economy; and (3) African development. Particularly on the issue of climate change, the interests of the G-8 countries, such emerging countries as China and India, and developing countries are conflicting. Given this, it is

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essential to coordinate views in the ministerial meetings. The issue of climate change is likely to be discussed at such meetings as development ministerial and environmental ministerial, besides the G-20 meeting.

Ministerial meetings prior to Lake Toya Summit in Hokkaido (July 7 - 9)

G-20 Summit in Chiba (March 14-16)

Development Ministerial Meeting in Tokyo (April 5-6)

Labor Ministerial Meeting in Niigata (May 11-13)

Environmental Ministerial Meeting in Kobe (May 24-26)

African Development Conference in Yokohama (May 28-30)

Energy Ministerial Meeting in Aomori (June 7-8)

Internal Affairs and Justice Ministerial Meeting in Tokyo (June 11-13)

Finance Ministerial Meeting in Osaka (June 13-14)

Science and Technology Ministerial Meeting in Okinawa (June 15)

Foreign Ministerial Meeting in Kyoto (June 26-27)

(3) LDP's Tanigaki at crucial stage in seeking support to run for party's presidential election; Tanigaki, Koga factions to merge into new faction in May

TOKYO SHIMBUN (Page 2) (Full)

March 13 2008

Liberal Democratic Party Policy Research Council Chairman Sadakazu Tanigaki, who wants to succeed Yasuo Fukuda as president of the LDP and prime minister, is now facing a critical juncture. The reason is that some LDP lawmakers are raising objections to fielding Tanigaki as a candidate for the next LDP presidential election since it would be difficult for him to display his presence when his faction merges with the Koga faction.

The Koga and Tanigaki factions, which emerged from the once prestigious "Kochikai," the formal title of the former Miyazawa faction, decided in a joint meeting that the two factions would merge in May into a new faction, selecting Makoto Koga as the head and Tanigaki as the deputy head. The new faction will have 61 members, becoming the third largest in the LDP after the Tsushima faction (membership of 69).

The focus is now on who will be fielded by the new faction in the next presidential election.

Tanigaki ran for the first time in the 2006 presidential race, in which he was defeated by Shinzo Abe. Since then, he has been regarded in the LDP as one of the potential candidates for the party presidency.

Although he was enthusiastic about running, Tanigaki forwent his candidacy in the presidential race last fall, lacking a groundswell of support he needed for filing.

Moreover, many in the Koga faction supported Taro Aso, a former LDP secretary general, in the last presidential election.

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A veteran lawmaker pointed out that Tanigaki lacked visibility in the party. Aso, in contrast, has laid the groundwork for his next bid for the presidency by delivering speeches across the country and by advocating specific policy measures.

This has led some in the Koga faction to express their disapproval of Tanigaki's candidacy for the next election. A mid-level lawmaker said: "I wonder whether we can fight well in the next House of Representative election, which will be a crucial battle." Whether Tanigaki can run in the next presidential election depends on whether he can display his ability as LDP policy chief in dealing with the political row with the opposition over highway construction revenues.

(4) Emergency access to bases eyed in SDP's SOFA revision proposal

OKINAWA TIMES (Page 2) (Full)
March 13, 2008

TOKYO-Social Democratic Party (Shaminto) President Mizuho Fukushima and two SDP lawmakers, Kantoku Teruya, a member of the House of Representatives, and Tokushin Yamauchi, a member of the House of Councillors, held a press conference in the Diet and announced the party's proposal to revise the Japan-U.S. Status of Forces Agreement. The proposal features allowing emergency entry into U.S. military bases with notification and requiring the Japanese government to restore the sites of bases to their original state after their reversion to Japan.

Teruya, who took part in the making of the SDP's SOFA revision plan, stressed his party's position: "Our plan proposes an overall revision of the SOFA from the perspective of sovereignty, human rights, and the environment. The SDP will pursue a drastic revision of the SOFA instead of improving its operation."

In addition, the SDP plan also requires USFJ to submit a quadrennial base use plan and report the birthdates, sex, ranks, and positions of off-base SOFA personnel in conformity with the Basic Resident Register Law.

Meanwhile, the Democratic Party of Japan (Minshuto) and the People's New Party have already worked out their respective SOFA revision plans. "There is no so much difference," Teruya said. "We may work it out in an unexpectedly short time," he added.

Points from SDF's SOFA revision proposal

Article 2 (base use): USFJ must submit a quadrennial report on the purpose, scope, and conditions of base use.

Article 3 (base entry): Japanese authorities may have emergency access to U.S. military bases with notification. An environmental assessment is required for building new facilities.

Article 4 (restoration to original state): The Japanese government must restore bases to their original state.

Article 9 (off-base living): USFJ must report necessary matters to Japan in conformity with the purport of the Foreign Resident Registration Law and the Basic Resident Register Law.

Article 17 (custody): Suspects will be detained at Japanese facilities before they are indicted. The U.S. may state its views on the custody of suspects, and Japan will pay favorable consideration.

(5) MOD report calling for mandating regional defense bureaus to

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obtain the defense minister's approval for procurement and establishing life cycle cost management department

SANKEI (Page 5) (Abridged slightly)
March 13, 2008

In the wake of the revelation of defense contractor Yamada Corp.'s bill-padding practice, the Ministry of Defense yesterday drafted a final report on reform of the equipment procurement system. The

envisioned new system is designed to require the regional defense bureaus to obtain the defense minister's approval in concluding discretionary contracts in excess of 150 million yen and to place them under the watch of third-party organs in order to prevent receiving padded bills. The report also calls for the establishment in MOD in April 2009 or later of a department to manage the life cycle cost of major equipment for reducing the procurement cost.

The ministry will announce its final report later this month based on this report which was produced by the comprehensive acquisition reform project team, chaired by Parliamentary Secretary Minoru Terada.

It came to light late last year that over the five-year period that ended in fiscal 2006, Yamada Corp. had overcharged regional defense bureaus by at least 3 billion yen. The amount is far greater than the 230 million yen the Equipment Procurement and Construction Office (EPCO) -- the central procurement office -- is suspected to have been overcharged.

The report also urges the ministry to revise instructions to require the regional defense bureaus to obtain the defense minister's approval in concluding discretionary contracts worth over 150 million yen and to implement the revised instructions in July of this year. The functions of the bidding oversight committee in each regional defense bureau that checks the appropriateness of construction work will also be enhanced so that it can oversee the procurement of equipment, as well.

MOD has not been aware of the life cycle cost of most equipment, including the maintenance and management costs, thereby resulting in the wasteful development and procurement of equipment.

For this reason, MOD has decided to launch a new department in EPCO that will be tasked with exclusively managing information on the maintenance and management costs. The new department will provide a team of officials of the internal bureaus and the staff offices of the three forces with necessary information in making decisions on developing and mass-producing major equipment.

The report also offers a plan to establish an import control department in EPCO in 2009 to exclusively serve as a point of contact with foreign manufacturers. Staffing the department with certified public accountants and retired trading firm employees, the aim is to increase direct contacts with foreign makers. Also included in the report is a plan to establish a technology evaluation committee to standardize parts and equipment that differ among the Ground, Maritime, and Air Self-Defense Forces and to allow parliamentary secretaries and vice ministers to assess the research and development of major equipment.

(6) Letters to the editor column: "Withdraw the bases" a leap in logic

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RYUKYU SHIMPO (Page 5) (Full)
March 12, 2008

Osamu Miyahira, 42, local government employee, Naha City

The recent alleged rape of a junior high school girl by a U.S. serviceman is causing wide repercussions. People are saying there is no choice but to remove the bases in order to eliminate this sort of incident. This sort of opinion, however, is too much of a leap in logic. Serious crimes are not exclusive to U.S. military personnel.

According to the Okinawa prefectural police's confirmed statistics, there were 101 serious crimes last year (in Okinawa Prefecture), including six cases involving U.S. military personnel. In other words, the greater part of serious crimes were brought about by Okinawa Prefecture's locals.

If that is the case, "this sort of incident" will continue to take place, irrespective of the presence of military bases. In fact, there were a number of crimes that were almost coincident with the

incident this time. Those incidents included a local man's molestation of a schoolgirl and another local's buying of sex from an underage girl.

As it stands, it is nonsense to denounce the U.S. military by taking up the recent incident. The logic of crying out against the U.S. military's realignment, which is directly linked to Japan's national defense, is nothing but switching arguments.

There have been press reports saying a civic group is rallying prefectural residents for a rally. I get red-faced whenever I see or hear "this sort of news reporting." I am probably not the only one who thinks this way. It is outrageous to exploit the incident this time for political purposes, and it is out of the question to hold such a rally.

(7) Close battle on selection of BOJ governor

NIKKEI (Page 3) (Slightly abridged)
March 13, 2008

With the Upper House yesterday voting down the promotion of Deputy Bank of Japan (BOJ) Governor Toshiro Muto to governor, the selection of the "currency watchdog" will start from scratch. At present, only the appointment of Masaaki Shirakawa, former BOJ director and a professor at Kyoto University, as deputy governor has been approved. The government and the ruling camp are rushing to reshape their strategy, including whether the plan to promote Muto should be resubmitted or whether his name should be replaced. However, they have not yet decided what to do about the issue. With the expiration of the term of incumbent Governor Toshihiko Fukui close at hand on March 19, the possibility of the post of BOJ governor becoming vacant has become even more likely.

Scenario 1: Resubmission of nomination of Muto as candidate; Will opposition camp reject him again?

Prime Minister Yasuo Fukuda yesterday complained about the Democratic Party of Japan's (DPJ or Minshuto) refusal to New Komeito head Akihiro Ota, who just returned home from South Korea: "This is troublesome. We picked them to strike a balance among the Finance

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Ministry, the Bank of Japan and the private sector. Even Mr. Ito (Takatoshi Ito, professor at Tokyo University) has been disapproved." He also said: "I think the present nominees are best. The three are one set." Fukuda thus indicated that he has no intention of replacing Muto and Ito at the moment.

The government at noon today will hold a plenary session. The likelihood is that the government plan to nominate former Vice Finance Minister Muto as governor and Shirakawa and Ito as deputy governor will be adopted by a majority approval by the ruling parties. The aim is to clarify the Lower House's support for the government plan, as one senior ruling party member put it.

With the Lower and Upper Houses mostly likely reaching different decisions, the ruling parties intend to call on the opposition parties to agree to hold party-head talks or a meeting of secretaries of general. The LDP and the New Komeito on the 12th

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discussed measures on how to deal with the issue of appointing BOJ governor and deputy governors at a meeting of their secretaries general and Diet Policy Committee chairmen.

However, there is a slim chance of opposition parties accepting Muto because of the approval by the Lower House. The issue will most likely develop into discussions including a revision of the bill amending the Special Tax Measures Law that incorporates a proposal for maintaining the provisional gas tax rate. The bargaining between the ruling and opposition parties is bound to become fierce. The official view of the government and the ruling parties on personnel appointments for key organizations that require Diet approval is that it is not subject to the rule that it is not allowed to reconsider the issue during the same Diet session, once it has been

adopted, according to Chief Cabinet Secretary Machimura. Some are pinning hopes that even if talks between the ruling and opposition parties bog down, if the ruling camp resubmits the proposal to the Upper House, Muto can be approved, provided that ruling parties abstain from a roll call at a plenary session.

Scenario 2: Replacing candidates will likely be difficult without decisive factor

DPJ Secretary General Yukio Hatoyama during a TBS radio program on the 12th indicated his party's stance that replacing the candidates in question would be a precondition for it to accept a call for holding party-head talks. He said, "If the ruling parties seriously ask us our view on who would be the best candidates, we would not the request for party-head talks at all."

The prevailing view in the opposition camp is, "The government should propose another candidate for BOJ governor by the 19th, taking the will of the Upper House into consideration," as Social Democratic Party head Mizuho Fukushima put it. Some ruling party members said that it would be unavoidable to replace Muto, with one senior official saying, "Some say that we should propose the same person, but it would be hard to do so."

Some DPJ members recommend former Deputy BOJ governor Yutaka Yamaguchi. However, many government and ruling party officials are negative toward the idea with one saying, "If Mr. Yamaguchi were appointed, two out of the three seats of the BOJ leadership would be held by those who are former BOJ officials."

Another idea is to appoint Shirakawa as governor instead of vice

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governor. Hatoyama indicated his perception: "He is not bad as a person. It is conceivable."

Scenario 3: Confrontation between ruling and opposition camps becomes protracted; Shirakawa acts as acting governor

Even if the feud between the ruling and opposition parties becomes protracted, the government on the 20th intends to appoint Shirakawa, who was given approval by both the Lower and Upper Houses. If the post of BOJ governor remains vacant, deputy governor Shirakawa would perform the task of governor in compliance with the BOJ Law.

However, it would be unprecedented that two posts -- governor and one deputy governor -- of the BOJ Policy Board remain vacant. A sense of alarm is heightening with one senior ruling party member noting that appointing an acting governor would be tantamount to the BOJ ceasing to function from the international viewpoint.

A monetary policy meeting is slated for April 8-9. The meeting of finance ministers and central governors of the Group of Seven Nations (G-7) is to take place in Washington around the 11th. The prevailing view in the government and the ruling camp is that the post of BOJ governor can be left vacant until the end of March at the longest.

SCHIEFFER